

### **3. CONSIDERATION OF AGENDA ITEMS**

#### **3.1 2017/18 Draft Medium Term Revenue and Expenditure Framework**

**File No.:** 3/2/2/16

**Responsible Official:** R.Ontong

**Directorate:** Financial Services

**Portfolio:** Finance

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#### **Purpose**

The purpose of this submission is to present the 2017/18 MTREF Draft Budget.

#### **Legal Framework**

Section 16 of the Municipal Finance Management Act states:

“Annual budgets

16. (1) The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.
- (2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.
- (3) Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years, provided a separate appropriation is made for each of those financial years.

#### **Contents of annual budgets and supporting documents**

17. (1) An annual budget of a municipality must be a schedule in the prescribed format —
  - (a) setting out realistically anticipated revenue for the budget year from each revenue source;
  - (b) Appropriating expenditure for the budget year under the different votes of the municipality;
  - (c) Setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;
  - (d) Setting out —
    - (i) Estimated revenue and expenditure by vote for the current year; and
    - (ii) Actual revenue and expenditure by vote for the financial year preceding the current year; and
  - (e) A statement containing any other information required by section 215(3) of the Constitution or as may be prescribed”

#### **Financial Implications**

The financial implications of the 2017/18 MTREF draft budget is captured in the Budget Report.

## **Annexures**

Municipal Budget and Reporting Regulations Schedule-A Budget tables (**Annexure A**)

Quality Certificate (**Annexure B**)

Revised Budget Related Policies (**Annexure C**)

- Credit Control and Debt Collection Policy
- Funding and Reserves Policy
- Insurance Management Policy
- Long Term Financial Plan Policy
- Property Rates Policy
- Tariff Policy
- Write-off Policy
- Asset Management Policy
- Borrowing Policy
- Budget Implementation and Management Policy
- Budget Virement Policy
- Costing Policy
- Supply Chain Management Policy
- Relief and charitable fund Policy

Municipal Tariffs (**Annexure D**)

Municipal Finance Management Act Budget Circulars (**Annexure E**)

**FINAL MEDIUM TERM REVENUE AND  
EXPENDITURE FRAMEWORK  
2017/2018 – 2019/2020**

**BREEDĖ VALLEY**  
Municipality    Munisipaliteit    U Masipala wase



**WORCESTER ▼ RAWSONVILLE ▼ DE DOORNS ▼ TOUWS RIVER**

**31 MARCH 2017**

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## Abbreviations and Acronyms

|        |  |
|--------|--|
| AMR    | Automated Meter Reading                          |
| ASGISA | Accelerated and Shared Growth Initiative         |
| BPC    | Budget Planning Committee                        |
| CBD    | Central Business District                        |
| CFO    | Chief Financial Officer                          |
| CPI    | Consumer Price Index                             |
| CRRF   | Capital Replacement Reserve Fund                 |
| DBSA   | Development Bank of South Africa                 |
| DoRA   | Division of Revenue Act                          |
| DWA    | Department of Water Affairs                      |
| EE     | Employment Equity                                |
| EEDSM  | Energy Efficiency Demand Side Management         |
| EM     | Executive Mayor                                  |
| FBS    | Free basic services                              |
| GAMAP  | Generally Accepted Municipal Accounting Practice |
| GDP    | Gross domestic product                           |
| GDS    | Gauteng Growth and Development Strategy          |
| GFS    | Government Financial Statistics                  |
| GRAP   | General Recognised Accounting Practice           |
| HR     | Human Resources                                  |
| HSRC   | Human Science Research Council                   |
| IDP    | Integrated Development Strategy                  |
| IT     | Information Technology                           |
| kl     | kilolitre  |
| km     | kilometre  |
| KPA    | Key Performance Area                             |
| KPI    | Key Performance Indicator                        |
| kWh    | kilowatt-hour                                    |
| l      | litre  |
| LED    | Local Economic Development                       |
| MEC    | Member of the Executive Committee                |
| MFMA   | Municipal Financial Management Act               |
| MIG    | Municipal Infrastructure Grant                   |
| MM     | Municipal Manager                                |
| MMC    | Member of Mayoral Committee                      |
| MPRA   | Municipal Properties Rates Act                   |
| MSA    | Municipal Systems Act                            |
| MTEF   | Medium-term Expenditure Framework                |
| MTREF  | Medium-term Revenue and Expenditure Framework    |
| NERSA  | National Electricity Regulator South Africa      |
| NGO    | Non-Governmental organisations                   |
| NKPIs  | National Key Performance Indicators              |
| OHS    | Occupational Health and Safety                   |
| OP     | Operational Plan                                 |
| PBO    | Public Benefit Organisations                     |

|       |   |
|-------|---|
| PHC   | Provincial Health Care                      |
| PMS   | Performance Management System               |
| PPE   | Property Plant and Equipment                |
| PPP   | Public Private Partnership                  |
| PTIS  | Public Transport Infrastructure System      |
| RG    | Restructuring Grant                         |
| RSC   | Regional Services Council                   |
| SALGA | South African Local Government Association  |
| SAPS  | South African Police Service                |
| SDBIP | Service Delivery Budget Implementation Plan |
| SMME  | Small Micro and Medium Enterprises          |

## **PART 1 – Annual Budget**

### **1. Mayor's Report**

The mayor's report is encapsulated in the executive summary further down.

### **2. Resolutions**

It is recommended to council that in respect of the 2017/18 MTREF, and outer financial years that council approves the 2017/18 MTREF draft budget in terms of section 24 of the Municipal Finance Management Act.

### **3. Executive Summary**

#### **3.1 Legislative Background**

Section 16 of the Municipal Finance Management Act states:

“Annual budgets

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  - (d) Setting out —

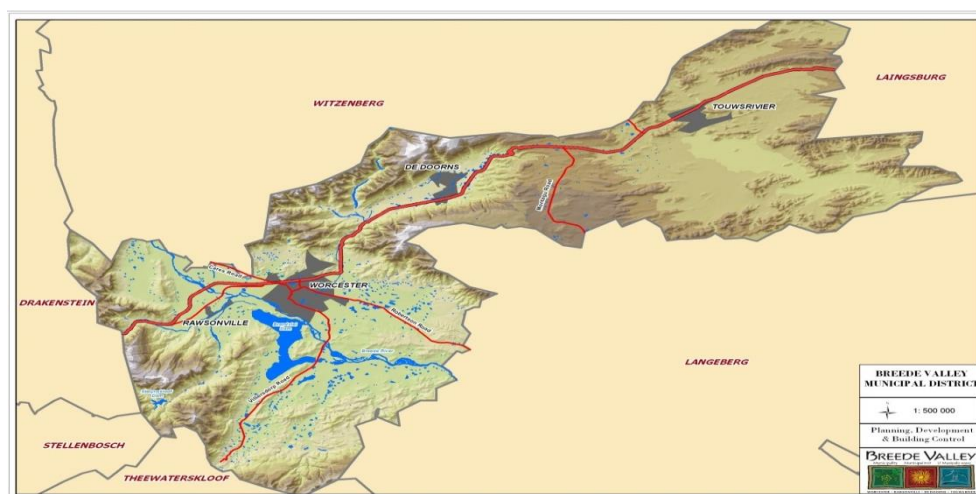
(i) Estimated revenue and expenditure by vote for the current year; and

(ii) Actual revenue and expenditure by vote for the financial year preceding the current year; and

(e) A statement containing any other information required by section 215(3) of the Constitution or as may be prescribed"

### 3.2 Municipal General Overview

The map below outlines the geographical area of Breede Valley Municipality. As per the map Breede Valley Municipality serves the towns of De Doorns, Rawsonville, Touwsrivier and Worcester. Surrounding municipalities include Drakenstein Municipality, Langeberg Municipality, Laingsburg Municipality, Stellenbosch Municipality, Theewaterskloof and Witzenberg Municipality. All the mentioned municipalities, including Breede Valley Municipality forms part of the Cape Winelands District Municipality.



### Strategic Framework, Pillars and Objectives of the Municipality



## STRATEGIC FRAMEWORK



## Strategic Pillars & Objectives



| Strategic Pillars            | Strategic Objectives  |
|------------------------------|---|
| <b>Opportunity</b>           | To create a unique and caring Valley of service excellence, opportunity and growth  |
| <b>Safety</b>                | To ensure a safe, healthy, clean and sustainable external environment for all Breede Valley's People  |
| <b>Caring</b>                | To create an enabling environment for employment and poverty eradication through pro-active economic development and tourism  |
| <b>Inclusive</b>             | To provide democratic, accountable government for local communities and encourage involvement of communities and community organisations in the matters of local government |
| <b>Well-run municipality</b> | To assure a sustainable future through sound financial management, continuous revenue growth, corporate governance and risk management practises                            |
|                              | 8   |

### 3.3 Budget Principles and Criteria

The 2017/18 MTREF was compiled based on the following principles and criteria:

#### Credibility

- Planned Activities must be consistent with the IDP and vice versa.
- Financial viability of municipality should not be jeopardised.
- Ensure Capacity to spend the budget.

## **Sustainability**

- Financial sustainability/ overall financial health of Municipality.
- Revenue/ Expenditure budgeted must be realistic.

## **Responsiveness**

- To the needs of the community / public.
- Alignment of IDP, LED Strategies with Budget to give effect to provincial and national priorities.
- Budget must be responsive to economic growth objectives and the socio- economic needs of the community.

## **Affordability**

- Tariffs must not be increased unreasonably and consumers must be able to afford tariffs.

The 2017/2018 draft budget is compiled in line with chapter 4 of the Municipal Finance Management Act, MFMA Budget Circulars and other relevant circulars and / or guidelines from National Treasury and Provincial Treasury. The final budget strives to be consistent with the financial norms and ratios as per the MFMA Circular 71 to ensure sound and sustainable management of financial affairs of the municipality. The final budget is also consistent with the Long Term Financial Plan to ensure synergy between long term planning and implementation of planning. Other important principles includes addressing the need of access to basic services and the efficient capacitation of the municipality, which is in many instances a challenge given limited financial resources.

The main challenges experienced with the compilation of the 2017/18 MTREF are as follow:

- Direct effect of the current state of the economy on larger municipalities relying on progressive economic activity.
- Ageing infrastructure and increasing service delivery backlogs.
- Increasing cost of bulk purchases versus the electricity tariff increases, resulting in pressure to maintain a balance between sustainability, growth and affordability of services.

Service charges and other revenue sources are prepared in accordance with planned activities / initiatives / developments and past performance trends to ensure that the budgeted amounts are realistic and do not negatively affect the credibility of the draft budget and the financial position of the municipality.

The operating expenditure budget compilation process was done in line with the MFMA budget circulars. In instances of inconsistencies, appropriate reasons for the corresponding deviations are provided.

MFMA circular 70 highlighted examples of non-priority spending that need to be addressed by municipalities. Breede Valley Municipality remains commitment to the elimination of these non-priority items from the 2015/16 MTREF and applying a zero percent increase on related items where elimination or a decrease in the 2017/18 MTREF budget is not possible.

Further, MFMA circular 82 on cost containment measures was also taken into consideration with the aim of promoting section 62(1)(a) of the MFMA through the effective, efficient and economical use of municipal resources.

The latest allocations from National Government and Provincial Government to Breede Valley Municipality for the 2017/18 MTREF could unfortunately not be taken into account for the compilation of the draft budget. This is due to the timing of the publication of national and provincial allocations, which would create severe challenges to comply with the legislated tabling date of latest 31 March.

The capital budget for 2016/17 aims to address the capital needs within the municipal area, given the available resources internally and externally. The main source of funding remains conditional grant allocations from National and Provincial government departments, followed by either internal funding or external loans (when applicable).

### 3.4 Rebates

Rebates relating to Unemployed, Indigent and Pensioners (under and over 70 years of age) are displayed below:

#### 3.4.1 Rebates: Unemployed and Indigent

| Household Income           | Rates        | Sewer | Refuse | Rental |
|----------------------------|--------------|-------|--------|--------|
| R0 - R4 500                | 50%          | 50%   | 50%    | 100%   |
| Max. Valuation             | R 150 000    |       |        |        |
| <u>Free Basic Services</u> |              |       |        |        |
| Electricity                | 50 Units     |       |        |        |
| Water                      | 10 Kilolitre |       |        |        |

### 3.4.2 Rebates: Pensioner

| Household Income   | Rates        | Sewer | Refuse | Rental |
|--|--------------|-------|--------|--------|
| Government Pension & Disability / Pensioners 60 years and older<br>R0 - R4 500 | 100%         | 100%  | 100%   | 100%   |
| Max Valuation  | R 150 000    |       |        |        |
| <u>Free Basic Services</u>   |              |       |        |        |
| Electricity  | 50 Units     |       |        |        |
| Water  | 10 Kilolitre |       |        |        |

### 3.4.3 Rebates: Pensioner 70 years and older

Pensioners falling in this category are eligible for an additional R65 000.00 rebate on the calculation of their property rates bill. This overall rebate is capped at R150 000.00

## 3.5 Budget Overview

The budget overview provides insight pertaining to the operating and capital budgets over the MTREF

### 3.5.1 Operating Revenue

The table below reflects the operating revenue in relation to the current year and 2017/18 MTREF.

**WC025 Breede Valley - Table A4 Budgeted Financial Performance (revenue and expenditure)**

| Description  | Current Year 2016/17 |                 | 2017/18 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|----------------------|-----------------|---|------------------------|------------------------|
|  | Original Budget      | Adjusted Budget | Budget Year 2017/18                                 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| <b>R thousand</b>  |                      |                 |   |                        |                        |
| <b>Revenue By Source</b>   |                      |                 |   |                        |                        |
| Property rates   | 113 087              | 113 202         | 137 679   | 145 526                | 153 676                |
| Service charges - electricity revenue                                | 385 044              | 385 044         | 400 316   | 423 134                | 446 830                |
| Service charges - water revenue                                      | 54 159               | 54 159          | 65 274  | 68 995                 | 72 859                 |
| Service charges - sanitation revenue                                 | 58 398               | 58 398          | 57 393  | 60 664                 | 64 061                 |
| Service charges - refuse revenue                                     | 33 433               | 33 433          | 41 015  | 43 352                 | 45 780                 |
| Service charges - other  | (25 784)             | (25 784)        | (17 700)  | (18 709)               | (19 756)               |
| Rental of facilities and equipment                                   | 14 655               | 14 655          | 14 492  | 15 318                 | 16 176                 |
| Interest earned - external investments                               | 10 000               | 12 000          | 10 620  | 11 225                 | 11 854                 |
| Interest earned - outstanding debtors                                | 2 834                | 4 000           | 3 009   | 3 181                  | 3 359                  |
| Dividends received   | —                    | —               | —   | —                      | —                      |
| Fines, penalties and forfeits  | 63 320               | 87 720          | 67 244  | 71 077                 | 75 057                 |
| Licences and permits   | 2 987                | 2 987           | 3 173   | 3 353                  | 3 541                  |
| Agency services  | 6 942                | 6 942           | 7 373   | 7 793                  | 8 229                  |
| Transfers and subsidies  | 134 048              | 138 214         | 146 572   | 189 947                | 118 836                |
| Other revenue  | 8 539                | 8 639           | 6 900   | 7 294                  | 7 702                  |
| Gains on disposal of PPE   | 1 060                | 1 060           | 1 126   | 1 190                  | 1 257                  |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>862 723</b>       | <b>894 671</b>  | <b>944 486</b>                                      | <b>1 033 342</b>       | <b>1 009 461</b>       |

The overall operating revenue (excluding capital transfers and contributions) is budgeted to increase by 5.57 percent from the 2016/17 adjustment budget

amount. The increases over the outer years amount to 9.41 percent and -2.31 percent for financial years 2018/19 and 2019/20 respectively.

Based on the current economic climate within the Breede Valley municipal area, tariffs (excluding electricity) were kept in line with the guidelines as per MFMA budget circular. This inflation linked increase in tariffs aim to promote sustainability of the revenue, other than the counterproductive method of increasing tariffs to such an extent that the collection rate deteriorates.

**Property Rates:** Budgeted revenue is anticipated to increase by 21.62 percent. This increase is mainly attributed to the new Supplementary Valuation roll being implemented during March 2017.

**Electricity Revenue:** Electricity revenue is projected to increase by 3.97 percent based on the current trend and 2.6 percent average increase (households) as per the NERSA guideline.

**Service Charges:** Water revenue, refuse revenue and sanitation revenue are projected in line with the prescribed 6 percent increase.

**Interest on External Investments:** The investment revenue for the 2017/18 financial year is projected to decrease by 11.50 percent. This decrease is informed by the municipality's current investment portfolio, and the anticipated return on investments to be made during the 2017/18 financial year. The increase and acceleration of the capital program also result in less funds being available for longer term investing.

**Interest Earned – Outstanding Debtors:** the decrease in outstanding debtors is due to improved credit control mechanisms and debt collection procedures. The municipality is also in the process of establishing a municipal court which is anticipated to decrease the debtors book, which will also decrease the interest earned on outstanding debt.

**Fines:** Revenue to be generated from fines is projected to decrease by -23.34 percent in 2017/18 due to the higher than anticipated increase during the current year adjustment budget.

**Transfers Recognised – Operational:** This revenue item is based on the operational transfers (conditional and unconditional) to be received from National and Provincial Government as communicated with the compilation of the 2016/17 MTREF. The latest grants could not be used due to the timing of the publications by national and provincial government.

### 3.5.2 Operating Expenditure

The table below reflects the operating expenditure in relation to the current year and 2017/18 MTREF.

WC025 Breede Valley - Table A4 Budgeted Financial Performance (revenue and expenditure)

| Description                     | Current Year 2016/17 |                 | 2017/18 Medium Term Revenue & Expenditure Framework |                        |                        |
|---------------------------------|----------------------|-----------------|---|------------------------|------------------------|
|                                 | Original Budget      | Adjusted Budget | Budget Year 2017/18                                 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| R thousand                      |                      |                 |   |                        |                        |
| <b>Expenditure By Type</b>      |                      |                 |   |                        |                        |
| Employee related costs          | 270 803              | 266 709         | 299 640   | 316 047                | 333 113                |
| Remuneration of councillors     | 16 168               | 15 684          | 16 468  | 17 406                 | 18 381                 |
| Debt impairment                 | 52 379               | 75 539          | 55 626  | 58 797                 | 62 090                 |
| Depreciation & asset impairment | 84 095               | 84 095          | 81 759  | 86 420                 | 91 259                 |
| Finance charges                 | 28 412               | 28 412          | 26 116  | 27 605                 | 29 150                 |
| Bulk purchases                  | 275 693              | 275 693         | 276 151   | 291 892                | 308 238                |
| Other materials                 | 55 423               | 56 305          | 62 469  | 66 030                 | 69 728                 |
| Contracted services             | 10 243               | 9 934           | 9 366   | 9 900                  | 10 455                 |
| Transfers and subsidies         | 738                  | 738             | 279   | 295                    | 311                    |
| Other expenditure               | 119 616              | 125 924         | 130 678   | 170 249                | 100 870                |
| Loss on disposal of PPE         | 230                  | 230             | 3 125   | 3 304                  | 3 489                  |
| <b>Total Expenditure</b>        | <b>913 800</b>       | <b>939 263</b>  | <b>961 678</b>                                      | <b>1 047 945</b>       | <b>1 027 084</b>       |

Total budgeted operating expenditure for the 2017/18 financial year amounts to R961.68 million, suggesting a 2.39 percent increase from the 2016/17 adjusted budget amount.

In principle, the municipality applied an inflation linked increase to the 2015/16 actual to arrive at the 2017/18 draft budget figures. This inflation percentage was however not applied to all operating expenditures due to the corresponding reasons which are listed further down. These items are as follow:

**Employee related cost:** Employee related cost is based on the Salary and Wage Collective Agreement for the period 1 July 2015 to 30 June 2018. As per the agreement 2016/17 salary and wage increase should be equal to average CPI (Feb 2015 – Jan 2016) +1 percent.

Based on table A4, employee related cost is projected to increase by 12.35 percent. This increase is based on amendments to be made on the current structure. The personnel budget is calculated for the full 12 months of the financial year, regardless of when the post are to be filled. The savings that arise from filling vacancies later than the start of the financial year, are then used during the adjustment budget to finance other priorities and as contributions to the CRR.

Thus, the percentage increase from 2016/17 to 2017/18 appears excessive, but given the decreased adjusted budget figure in the current year, and the fact that the "12 month principle" is applied for the 2017/18 financial year also, we can rather compare the 2017/18 amount to the 2016/17 original budget amount. This increase is also influenced by the implementation of TASK process currently underway that may have the effect of certain employees earning higher salaries.

**Depreciation and asset impairment:** Depreciation is calculated based on the useful lives of assets, which are currently being reviewed. The commission date of the majority of capital projects are more to the end of the financial year (based on past trends), resulting in new additions not having a full year's depreciation, but only a part thereof.

**Finance charges:** No borrowings will be taken up in 2017/18. The finance charges are calculated based on the municipality's borrowing portfolio. It should also be noted that the interest portion of the repayment decreases over the term of the loan.

**Bulk Purchases:** This item comprises of electricity and water bulk purchases. The component relating to water is adjusted with 6.1 percent, whereas the electricity component is calculated based on the NERSA guideline.

**Other materials:** This item consists of repair and maintenance. The above inflation linked increase observed is due to planned maintenance needing to take place during the 2017/18 financial year. This is as per OHS requirements. The repair and maintenance displayed on table SA1 excludes the internal repair and maintenance expenditure performed by internal staff members.

**Other expenditure:** The low percentage increase in other expenditure is due to the cost containment not being increased. Please refer to SA1 for the detail.

### 3.5.3 Capital budget

#### MBRR Table A5 - Budgeted Capital Expenditure by standard classification and funding source

WC025 Breede Valley - Table A5 Budgeted Capital Expenditure by vote, functional classification and fundi

| Vote Description<br>R thousand                    | 2017/18 Medium Term Revenue & Expenditure Framework |                           |                           |
|---|---|---------------------------|---------------------------|
|   | Budget Year 2017/18                                 | Budget Year +1<br>2018/19 | Budget Year +2<br>2019/20 |
| <b>Capital expenditure - Vote</b>                 |   |                           |                           |
| <b>Multi-year expenditure to be appropriated</b>  |   |                           |                           |
| Vote 1 - Council General                          | –   | –                         | –                         |
| Vote 2 - Municipal Manager                        | –   | –                         | –                         |
| Vote 3 - Strategic Support Services               | –   | –                         | –                         |
| Vote 4 - Financial Services                       | –   | –                         | –                         |
| Vote 5 - Community Services                       | –   | –                         | –                         |
| Vote 6 - Technical Services                       | –   | –                         | –                         |
| <b>Capital multi-year expenditure sub-total</b>   | –   | –                         | –                         |
| <b>Single-year expenditure to be appropriated</b> |   |                           |                           |
| Vote 1 - Council General                          | 5   | –                         | –                         |
| Vote 2 - Municipal Manager                        | 4 130   | 2 625                     | –                         |
| Vote 3 - Strategic Support Services               | 6 320   | 7 913                     | 3 813                     |
| Vote 4 - Financial Services                       | 805   | 800                       | 800                       |
| Vote 5 - Community Services                       | 9 693   | 12 897                    | 2 785                     |
| Vote 6 - Technical Services                       | 133 707   | 152 806                   | 31 524                    |
| <b>Capital single-year expenditure sub-total</b>  | <b>154 660</b>                                      | <b>177 041</b>            | <b>38 921</b>             |
| <b>Total Capital Expenditure - Vote</b>           | <b>154 660</b>                                      | <b>177 041</b>            | <b>38 921</b>             |
| <b>Capital Expenditure - Functional</b>           |   |                           |                           |
| <b>Governance and administration</b>              | <b>11 560</b>                                       | <b>11 638</b>             | <b>4 913</b>              |
| Executive and council                             | 15  | –                         | –                         |
| Finance and administration                        | 805   | 800                       | 800                       |
| Internal audit                                    | 10 740  | 10 838                    | 4 113                     |
| <b>Community and public safety</b>                | <b>13 678</b>                                       | <b>13 497</b>             | <b>3 385</b>              |
| Community and social services                     | 660   | –                         | 30                        |
| Sport and recreation                              | 1 740   | 600                       | 755                       |
| Public safety                                     | 11 278  | 12 897                    | 2 600                     |
| Housing   | –   | –                         | –                         |
| Health  | –   | –                         | –                         |
| <b>Economic and environmental services</b>        | <b>7 988</b>  | <b>23 892</b>             | <b>3 000</b>              |
| Planning and development                          | –   | –                         | –                         |
| Road transport                                    | 7 988   | 23 892                    | 3 000                     |
| Environmental protection                          | –   | –                         | –                         |
| <b>Trading services</b>                           | <b>121 434</b>                                      | <b>128 014</b>            | <b>27 624</b>             |
| Energy sources                                    | 32 757  | 19 831                    | 15 335                    |
| Water management                                  | 28 551  | 63 107                    | 241                       |
| Waste water management                            | 43 683  | 42 176                    | 9 298                     |
| Waste management                                  | 16 443  | 2 900                     | 2 750                     |
| <b>Other</b>                                      | <b>–</b>  | <b>–</b>                  | <b>–</b>                  |
| <b>Total Capital Expenditure - Functional</b>     | <b>154 660</b>                                      | <b>177 041</b>            | <b>38 921</b>             |
| <b>Funded by:</b>                                 |   |                           |                           |
| National Government                               | 37 214  | 40 087                    | –                         |
| Provincial Government                             | 41 625  | 74 375                    | –                         |
| District Municipality                             | –   | –                         | –                         |
| Other transfers and grants                        | –   | –                         | –                         |
| <b>Transfers recognised - capital</b>             | <b>78 839</b>                                       | <b>114 462</b>            | <b>–</b>                  |
| <b>Public contributions &amp; donations</b>       | <b>–</b>  | <b>–</b>                  | <b>–</b>                  |
| <b>Borrowing</b>                                  | <b>10 500</b>                                       | <b>–</b>                  | <b>–</b>                  |
| <b>Internally generated funds</b>                 | <b>65 321</b>                                       | <b>62 579</b>             | <b>38 921</b>             |
| <b>Total Capital Funding</b>                      | <b>154 660</b>                                      | <b>177 041</b>            | <b>38 921</b>             |

The total capital budget for the 2017/18 financial year amounts to R154.66 million. As per the table above, the majority of funding is allocated to trading services which will ultimately promote service delivery and revenue generation. No multi-year projects have been identified, suggesting that the total capital budget will be implemented as single-year projects.



The municipality implemented quarterly budget engagements where performance of the capital budget & Grant funding are tracked. Grant funding is anticipated to be 100% implemented in the current financial year.

Kindly refer to SA36 for the detail capital budget.

#### **4. Annual Budget Tables**

The budget tables prepared in accordance with the Municipal Finance Management Act, and Municipal Budget and Reporting Regulations are listed in below:

- **Table A1** *Budget Summary*
- **Table A2** *Budgeted Financial Performance (Revenue and Expenditure by standard classification)*
- **Table A3** *Budgeted Financial Performance (revenue and expenditure by municipal vote)*
- **Table A4** *Budgeted Financial Performance (revenue and expenditure)*
- **Table A5** *Budgeted Capital Expenditure by vote, standard classification and funding*
- **Table A6** *Budgeted Financial Position*
- **Table A7** *Budgeted Cash Flows*
- **Table A8** *Cash Backed Reserves / Accumulated Surplus Reconciliation*
- **Table A9** *Asset Management*
- **Table A10** *Basic Service Delivery Measurement*

Kindly refer to Appendix A for the detailed Schedule A tables.

Breede Valley Municipality do not have any entities, therefore, no consolidation of budget information and tables are presented in the document and other supporting documentation.

## PART 2 – Supporting Documentation

### 5. Overview of Annual Budget Process



| STEP                                 | PROCESS  |
|--------------------------------------|--|
| <b>1. Planning</b>                   | Schedule key dates, establish consultation forums, review previous processes   |
| <b>2. Strategising</b>               | Review IDP, Determine priorities, set service delivery targets and objectives for the next three years, consult on tariffs, indigent, credit control, free basic services, etc and consult local, provincial, and national issues, previous years performance and current economic and demographic trends. |
| <b>3. Preparing</b>                  | Prepare budget, revenue, expenditure projections, draft budget policies, consult and consider local, provincial and national priorities.   |
| <b>4. Tabling</b>                    | Table draft budget, IDP and budget related policies before the council, consult and consider formal local, provincial, and national inputs and responses.  |
| <b>5. Approving</b>                  | Council approves budget and related policies.  |
| <b>6. Finalising/ Implementation</b> | Publish and approve SDBIP and annual Performance agreements and indicators. Publish Budget in terms of sect.22 MFMA  |

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| DETAIL PROCESS FOLLOWED AND MSA AND IDP CREDIBILITY REQUIREMENTS |                             |
|--|-----------------------------|
| ISSUE  | TIMEFRAME                   |
| IDP/Budget Process Plan/Timetable approved by council            | August 2016                 |
| IDP Meetings – inputs from Ward Councillors & Ward Committees    | October - November 2016     |
| First IDP/ Budget Steering Committee Meeting                     | November 2016               |
| Departmental inputs on Draft allocations                         | November and December 2016  |
| Second Budget Steering Committee – Consider Adjustment budget    | January 2017                |
| IDP Rep Forum Consultation                                       | November 2016<br>March 2017 |
| Draft Budget input captured and Budget balanced                  | March 2017                  |
| <b>Draft IDP &amp; Budget tabled in Council</b>                  | <b>March 2017</b>           |
| IDP & Budget workshop - Council                                  | March - April 2017          |
| Public Consultation  | March - April 2017          |
| Finalise Sector / Dept Strategy Plan / Budget - IDP              | April 2017                  |
| Consideration of Comments received                               | April 2017                  |
| Tabling of Final MTREF   | End May 2017                |

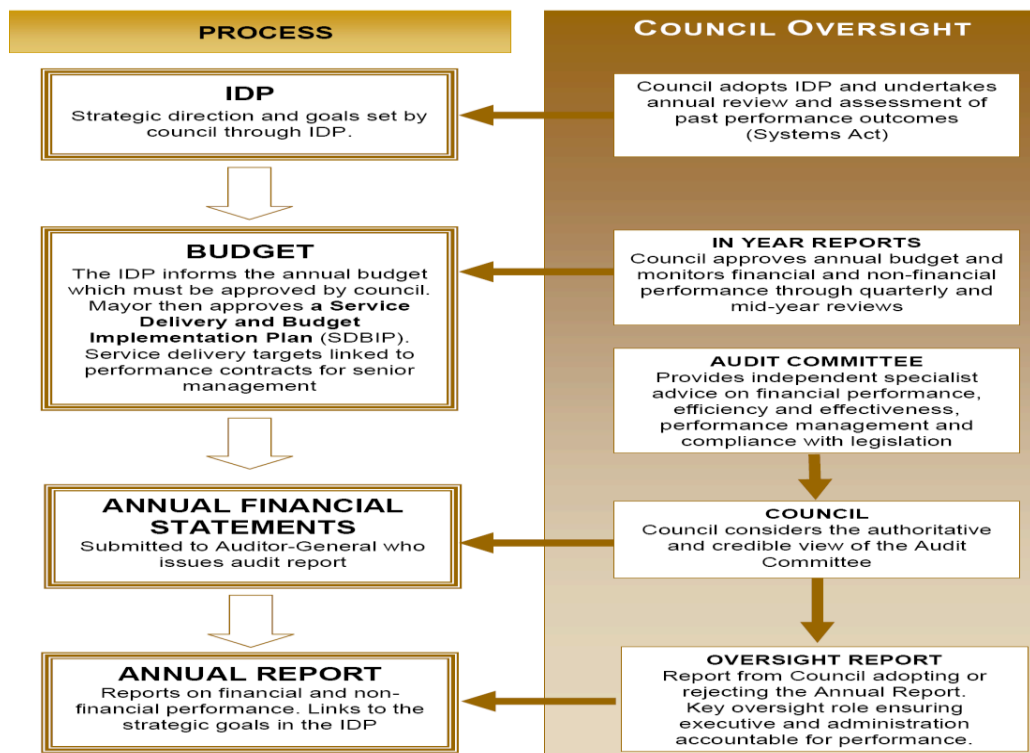
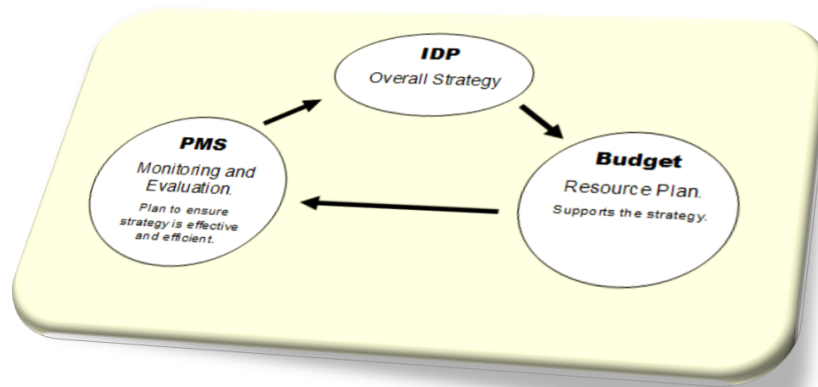
The IDP / Budget process plan was consulted with all relevant stakeholders, whom are:

- Council
- Executive Mayor and Mayoral Committee
- Accounting Officer
- Management
- Institutional Committees

- District Municipality (Cape Winelands District Municipality)
- Intergovernmental (National Treasury, Provincial Treasury and Department of Local Government)
- Ward councillors, ward committees and community in wards

## 6. Overview of alignment of annual budget with Integrated Development Plan

The below diagrams illustrates the link between the municipality's IDP and Budget



## MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

| WC025 Breede Valley - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)   |   |           |   |                        |                        |
|--|---|-----------|---|------------------------|------------------------|
| Strategic Objective  | Goal  | Goal Code | 2017/18 Medium Term Revenue & Expenditure Framework |                        |                        |
|  |   |           | Budget Year 2017/18                                 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| R thousand   |   |           |   |                        |                        |
| To provide, maintain and assure basic services and social upliftment for the Breede Valley community   | Sustainable basic services to communities                 | 1         | 749 992   | 856 765                | 719 008                |
| To create an enabling environment for employment and poverty eradication through proactive economic development and tourism  | Poverty eradication through LED and Tourism               | 2         | (78)  | (83)                   | (87)                   |
| To ensure a safe, healthy, clean and sustainable external environment for all the residents in the Breede Valley   | Safe, healthy and clean environment                       | 3         | 77 096  | 84 646                 | 86 054                 |
| Provide democratic, accountable government for local communities and encourage involvement of communities and community organisations in the matters of local government | Good governance and public participation                  | 4         | 12 436  | 11 354                 | (333)                  |
| Ensure a healthy and productive workforce and an effective and efficient work environment  | Healthy and productive workforce                          | 5         | 1 241   | 1 249                  | 157                    |
| Assure a sustainable future through sound financial management, continuous revenue growth corporate governance and risk management practices                             | Sound financial management, viability and risk management | 6         | 182 639   | 193 873                | 204 662                |
| Allocations to other priorities  |   |           |   |                        |                        |
| Total Revenue (excluding capital transfers and contributions)  |   |           | 1 023 325   | 1 147 804              | 1 009 461              |

## MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

WC025 Breede Valley - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

| Strategic Objective  | Goal  | Goal Code | 2017/18 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|---|-----------|---|------------------------|------------------------|
|  |   |           | Budget Year 2017/18                                 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| R thousand   |   |           |   |                        |                        |
| To provide, maintain and assure basic services and social upliftment for the Breede Valley community   | Sustainable basic services to communities                 | 1         | 660 602   | 730 425                | 695 456                |
| To create an enabling environment for employment and poverty eradication through proactive economic development and tourism  | Poverty eradication through LED and Tourism               | 2         | 4 814   | 4 484                  | 4 735                  |
| To ensure a safe, healthy, clean and sustainable external environment for all the residents in the Breede Valley   | Safe, healthy and clean environment                       | 3         | 118 503   | 125 258                | 132 273                |
| Provide democratic, accountable government for local communities and encourage involvement of communities and community organisations in the matters of local government | Good governance and public participation                  | 4         | 87 009  | 91 890                 | 96 540                 |
| Ensure a healthy and productive workforce and an effective and efficient work environment  | Healthy and productive workforce                          | 5         | 11 244  | 11 823                 | 11 323                 |
| Assure a sustainable future through sound financial management, continuous revenue growth corporate governance and risk management practices                             | Sound financial management, viability and risk management | 6         | 79 505  | 84 065                 | 86 756                 |
| Allocations to other priorities  |   |           |   |                        |                        |
| Total Expenditure  |   |           | 961 678   | 1 047 945              | 1 027 084              |

## MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

WC025 Breede Valley - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

| Strategic Objective  | Goal  | Goal Code | 2017/18 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|---|-----------|---|------------------------|------------------------|
|  |   |           | Budget Year 2017/18                                 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| R thousand   |   |           |   |                        |                        |
| To provide, maintain and assure basic services and social upliftment for the Breede Valley community   | Sustainable basic services to communities                 | 1         | 134 812   | 152 806                | 31 679                 |
| To create an enabling environment for employment and poverty eradication through proactive economic development and tourism  | Poverty eradication through LED and Tourism               | 2         | –   | –                      | –                      |
| To ensure a safe, healthy, clean and sustainable external environment for all the residents in the Breede Valley   | Safe, healthy and clean environment                       | 3         | 7 898   | 12 897                 | 2 600                  |
| Provide democratic, accountable government for local communities and encourage involvement of communities and community organisations in the matters of local government | Good governance and public participation                  | 4         | 10 795  | 10 538                 | 3 843                  |
| Ensure a healthy and productive workforce and an effective and efficient work environment  | Healthy and productive workforce                          | 5         | 350   | –                      | –                      |
| Assure a sustainable future through sound financial management, continuous revenue growth corporate governance and risk management practices                             | Sound financial management, viability and risk management | 6         | 805   | 800                    | 800                    |
| Allocations to other priorities  |   |           |   |                        |                        |
| Total Capital Expenditure  |   |           | 154 660   | 177 041                | 38 921                 |

### 7. Measurable performance objectives and indicators

SA7 provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Please refer to SA7 in Annexure A.

### 8. MBRR Table SA8 - Performance indicators and benchmarks

The following table sets out the municipalities main performance objectives and benchmarks for the 2016/17 MTREF.

Please refer to table SA8 of Annexure 1.

### 9. Overview of Budget Related Policies

The following budget related policies are in use:

- Asset Management Policy
- Borrowing Policy
- Budget Policy
- Budget Virement Policy
- Costing Policy
- Credit Control and Debt Collection Policy
- Funding and Reserves Policy
- Insurance Management Policy
- Long Term Financial Plan Policy

- Property Rates Policy
- Tariff Policy
- Write-off Policy
- Supply Chain Management Policy.
- Relief and charitable fund policy

Please refer to annexure D for the budget related policies.

## 10. Overview of Budget Assumptions

The following budget assumptions were used as basis for compilation of the 2016/2017 MTREF:

- Tariff increases:

| <b>Service</b> | <b>Percentage Increase (%)</b> |
|----------------|--------------------------------|
| Electricity    | As per NERSA guideline         |
| Water          | 6.1%                           |
| Sewerage       | 6.1%                           |
| Refuse         | 6.1%                           |

**\*Kindly refer to Annexure E for the complete list of tariffs**

- CPIX = 6.4 percent (MFMA budget circular)
- Employee related cost is based on the Salary and Wage Collective Agreement for the period 1 July 2015 to 30 June 2018. As per the agreement 2017/18 salary and wage increase should be equal to average CPI (Feb 2016 – Jan 2017) +1 percent.
- Government Grant will be received as gazetted by National and Provincial Government.
- Electricity bulk purchases in line with NERSA guideline.
- Minimal growth in revenue base. Mostly related to low cost housing.
- No / limited increases applied on cost containment items.
- Indigent households is anticipated to increase to 8000 households (formal)
- Budgeted collection rate equals to 96 percent
- Conditional grant will be fully spent
- No borrowings to be undertaken over the MTREF
- Credit rating: Baa1.za

## 11. Overview of Budget Funding

### Funding sources of operating expenditure budget.

WC025 Breede Valley - Table A1 Budget Summary

| Description  | 2017/18 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|---|------------------------|------------------------|
|  | Budget Year 2017/18                                 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| <b>R thousands</b>   |   |                        |                        |
| <b>Financial Performance</b>   |   |                        |                        |
| Property rates   | 137 679   | 145 526                | 153 676                |
| Service charges  | 546 299   | 577 438                | 609 774                |
| Investment revenue   | 10 620  | 11 225                 | 11 854                 |
| Transfers recognised - operational                                   | 146 572   | 189 947                | 118 836                |
| Other own revenue  | 103 317   | 109 206                | 115 322                |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>944 486</b>                                      | <b>1 033 342</b>       | <b>1 009 461</b>       |

The table above is a summarised version of the operating revenues over the budget year and two outer years. This overview provides the funding for operating expenditure to be incurred in future financial years.

### Funding sources of capital expenditure budget

WC025 Breede Valley - Table A5 Budgeted Capital Expenditure by vote, functional classification and fundi

| Vote Description                            | 2017/18 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|---|------------------------|------------------------|
|   | Budget Year 2017/18                                 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| <b>R thousand</b>                           |   |                        |                        |
| <b>Funded by:</b>                           |   |                        |                        |
| National Government                         | 37 214  | 40 087                 | –                      |
| Provincial Government                       | 41 625  | 74 375                 | –                      |
| District Municipality                       | –   | –                      | –                      |
| Other transfers and grants                  | –   | –                      | –                      |
| <b>Transfers recognised - capital</b>       | <b>78 839</b>                                       | <b>114 462</b>         | <b>–</b>               |
| <b>Public contributions &amp; donations</b> | <b>–</b>  | <b>–</b>               | <b>–</b>               |
| <b>Borrowing</b>                            | <b>10 500</b>                                       | <b>–</b>               | <b>–</b>               |
| <b>Internally generated funds</b>           | <b>65 321</b>                                       | <b>62 579</b>          | <b>38 921</b>          |
| <b>Total Capital Funding</b>                | <b>154 660</b>                                      | <b>177 041</b>         | <b>38 921</b>          |

Similar to the operating revenue, the capital funding indicates how the capital programme of the municipality will be financed in future years. Based on the above table, it is clear that the municipality is largely grant dependant when external funding (loans) are not being taken up.

Internal funding in the form of the Capital Replacement Reserve (CRR) is cash backed and sufficient to cover the related capital expenditure projects for the

budget year. The municipality remains committed in growing the CRR by making contributions to this reserve to enable better service delivery in the form of capital expenditure. Projects funded from the CRR will be closely monitored to aid implementation and where adjustments are required due to implementation challenges, funds will be directed or reprioritised as per the prerogative of management, through the guidance of the IDP and / or the municipality's financial status.

Loans taken up in previous financial years were taken up to address capital needs, which could not be financed by internal cash reserves. As per the table above, a portion of the unspent external loan are transferred to the 2017/18 budget year for implementation.

## 12. Expenditure on allocations and grant programmes

### MBRR SA19 - Expenditure on transfers and grant programmes

Kindly refer to table SA19 of Annexure A.

## 13. Allocations or grants made by the municipality

### MBRR SA21- Transfers and grants made by the municipality

Kindly refer to table SA21 of Annexure A.

## 14. Councillors and board members allowances and employee benefits

### MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

WC025 Breede Valley - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)

| Disclosure of Salaries, Allowances & Benefits 1. | Ref  | No. | Salary     | Contributions | Allowances | Performance Bonuses | In-kind benefits | Total Package |
|--|------|-----|------------|---------------|------------|---------------------|------------------|---------------|
| Rand per annum                                   |      |     |            | 1.            |            |                     |                  | 2.            |
| <b>Councillors</b>                               | 3    |     |            |               |            |                     |                  |               |
| Speaker  | 4    | 1   | 543 780    | 102 600       | 46 447     |                     |                  | 692 827       |
| Chief Whip                                       |      | 1   | 448 080    | 128 786       | 67 910     |                     |                  | 644 776       |
| Executive Mayor                                  |      | 1   | 629 640    | 115 200       | 110 261    |                     |                  | 855 101       |
| Deputy Executive Mayor                           |      | 1   | 519 780    | 97 800        | 75 247     |                     |                  | 692 827       |
| Executive Committee                              |      | 8   | 4 026 634  | 679 890       | 451 684    |                     |                  | 5 158 208     |
| Total for all other councillors                  |      | 29  | 6 847 033  | 478 458       | 1 098 552  |                     |                  | 8 424 043     |
| <b>Total Councillors</b>                         | 8    | 41  | 13 014 947 | 1 602 734     | 1 850 101  |                     |                  | 16 467 782    |
| <b>Senior Managers of the Municipality</b>       | 5    |     |            |               |            |                     |                  |               |
| Municipal Manager (MM)                           |      | 1   | 1 298 659  | 61 171        | 128 576    | -                   |                  | 1 488 406     |
| Chief Finance Officer                            |      | 1   | 961 031    | 210 490       | 188 868    | -                   |                  | 1 360 389     |
| Director: Community Services                     |      | 1   | 1 039 865  | 224 814       | 148 837    | -                   |                  | 1 413 516     |
| Director: Technical Services                     |      | 1   | 1 027 421  | 175 249       | 208 800    | -                   |                  | 1 411 470     |
| Director: Strategic Support Services             |      | 1   | 958 734    | 213 131       | 196 800    | -                   |                  | 1 368 665     |
|  |      |     |            |               |            |                     |                  | -             |
| <b>Total Senior Managers of the Municipality</b> | 8,10 | 5   | 5 285 710  | 884 855       | 871 881    | -                   |                  | 7 042 446     |



**15. Monthly targets for revenue, expenditure and cash flow**

**MBRR SA25 - Budgeted monthly revenue and expenditure**

**16. Contracts having future budgetary implications**

**MBRR SA33 – Contracts having future budgetary implications**

Please refer to table SA33 of annexure A.

**MBRR SA35 - Future financial implications of the capital budget**

Please refer to table SA35 of annexure A.

**17. Capital expenditure details**

**MBRR SA36 - Detailed capital budget per municipal vote**

Please refer to table SA36 of annexure A.

**18. Legislation compliance status**

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

- **In-year reporting:** Reporting to National Treasury and Provincial Treasuries are done in line with the legislated prescripts.
- **Internship programme:** This programme is fully functional within the municipality with 5 interns being employed under this programme. Four of the interns are currently rotating within the Finance Directorate, and one being developed in our Internal Audit section / unit.
- **Budget and Treasury Office:** The Budget and Treasury Office has been established in accordance with the MFMA.
- **Audit Committee:** An Audit Committee has been established and is fully functional.
- Service Delivery and Implementation Plan
- Annual Report: Annual report is compiled in terms of the MFMA and National Treasury requirements.
- MFMA Training
- Policies

**19. Other supporting documents**

Please refer to annexures E for MFMA budget circular

**20. Annual budgets of municipal entities attached to the annual budget**

No municipal entities.

#### **COMMENTS BY OTHER DIRECTORATES**

**Acting Director Strategic Services** – Recommendation supported

**Acting Director Community Services** – Recommendation supported

**Director Technical Services** – Recommendation supported

## **RECOMMENDATION**

That in respect of the 2017/18 Final Budget discussed by Council at the Council Meeting of 31 March 2017:

1. Council approves the draft annual budget tables and annual budget supporting tables as prescribed by the Municipal Budget and Reporting Regulations, as set out in Annexure A.
2. Council approves the Quality Certificate to the draft budget signed by the Accounting Officer, as per Annexure B.
3. Council approves the revised draft budget related policies as per Annexure C.
4. Council approves the draft tariffs, draft tariff structures and service delivery charges for water, electricity, refuse, sewerage, and other municipal services as per Annexure D

**THE SPEAKER APPROVES THE REQUEST FROM THE ANC FOR A CAUCUS OF 15 MINUTES.**

**CAUCUS STARTS AT 10:15**

**MEETING RECONVENES AT-10:30**

**PROPOSED: CLLR K. VAN DER HORST**

**SECONDED: CLLR J.F.VAN ZYL**

**Cllr J.F. Van Zyl in addition to Cllr K. Van der Horst's proposal proposes that the Speaker in terms of Rule 6 of the Rules of Order make a ruling on the request of the opposition that the Municipal Manager takes the Council briefly through the documentation and that he further seconds the proposal of Cllr K. Van der Horst.**

**Votes in favor of recommendation: 21**

**No votes against the recommendation.**

**RESOLVED**

**C25/2017**

That in respect of the 2017/18 Final Budget discussed by Council at the Council Meeting of 31 March 2017:

1. Council approves the draft annual budget tables and annual budget supporting tables as prescribed by the Municipal Budget and Reporting Regulations, as set out in Annexure A.
2. Council approves the Quality Certificate to the draft budget signed by the Accounting Officer, as per Annexure B.
3. Council approves the revised draft budget related policies as per Annexure C.
4. Council approves the draft tariffs, draft tariff structures and service delivery charges for water, electricity, refuse, sewerage, and other municipal services as per Annexure D.